

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7713**

**BILL NUMBER: HB 1858**

**DATE PREPARED: Jan 10, 2001**

**BILL AMENDED:**

**SUBJECT:** Property tax deductions.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides a property tax deduction for certain real property that: (1) is located in an enterprise zone in Marion County; and (2) was allowed an obsolescence depreciation adjustment for property taxes assessed in the year before the owner purchased the property. It provides that the deduction is allowed only if the urban enterprise association for the enterprise zone in which the property is located approves the deduction. The bill also provides that the deduction is equal to a specified percentage of the obsolescence depreciation adjustment that was allowed for property taxes assessed in the year before the owner purchased the property. It specifies that the deduction may be claimed for not more than four years.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** The State levies a one cent tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Current law requires State Tax Board real property assessment rules to allow for the determination of obsolescence. An obsolescence adjustment reduces the assessed value of real property. When a property that has been granted an obsolescence adjustment is rehabilitated, it will most likely lose its obsolescence adjustment.

This bill would allow the urban enterprise association in Marion County to approve a deduction against the assessed value of real property in an enterprise zone if the property has been sold and the former owner received an obsolescence adjustment. The deduction would be limited to four years and would be equal to the former obsolescence adjustment amount multiplied by a percentage. The percentage would be equal to

100% in the first year, 75% in the second year, 50% in the third year and 25% in the fourth year. The deduction would first be available for taxes paid in CY 2002.

With the approval of the urban enterprise association, this bill, in effect, would allow the obsolescence adjustment to be phased out rather than the having the adjustment disappear all at once when the property is sold and rehabilitated.

When assessed value is added to the tax base, the tax rate is reduced by shifting part of the tax burden from all taxpayers to the taxpayer with the added valuation. If the added valuation of the real property is phased-in over a four year period, then part of this shift would be delayed each year until after the fourth and final year of the deduction.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:**

**Local Agencies Affected:** Marion County Auditor, Urban Enterprise Association.

**Information Sources:**